

# HARRIS, MERICLE & ORR

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## MEMORANDUM

MALCOLM S. HARRIS  
JOHN L. MERICLE  
JACK G. ORR

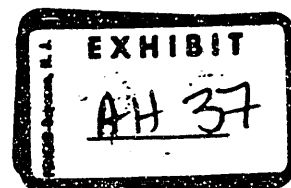
DEBORAH A. KNAPP  
THOMAS B. WINMILL  
KATE L. MCCracken  
MICHAEL L. CHARNESKI

TO: Dr. Willard Zucker

FROM: Malcolm Harris and John Mericle

DATE: November 7, 1986

RE: Quinault Reservation Timber Transaction



Enclosed please find copies of the following:

1. Letter of today to Bert Weinrich, advising him of the financial arrangements which we discussed this morning.

2. Letter received today from Mr. Weinrich.

3. Draft of a Loan Commitment Agreement by which CSF agrees to loan up to \$5,000,000 to SRH. This is obviously a "bare bones" draft for your review. We have taken a complete "stab in the dark" at what terms would be acceptable to you. In our discussions today with Mr. Weinrich (and in his enclosed letter), he insisted that this loan not be secured by any mortgages or other liens against the timber lands or the timber. The bank insists that there be no subordinate financing against the same assets. We argued long and hard about that point and gave no hint that you would accept such terms, but I sense that they will be quite adamant on that point. Accordingly, you may wish to obtain other security for the note, perhaps personal guaranties from the individuals or ADC. The Loan Commitment Agreement should perhaps contain a paragraph regarding the security for the note, if there is to be anything beyond the promissory note itself. The bank will insist upon seeing a copy of the Loan Commitment Agreement so it should be drafted with the understanding that they will see it.

4. Consent to Action in Lieu of Board of Directors Meeting. This Consent documents the issuance of stock to ADC and authorizes Mr. Royer to execute the Loan Commitment Agreement on behalf of the corporation. Please obtain the signatures of General Secord and Mr. Hakim on the Consent to Action and express mail a copy to us immediately. Please FAX a copy too.

jlm:hak:c:03